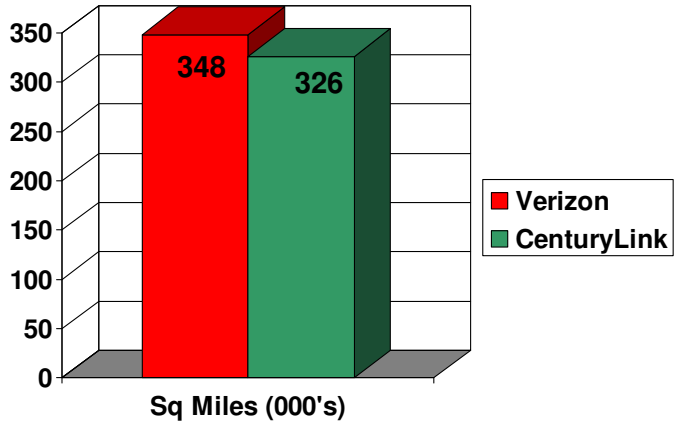
Rural Broadband : Density Differences

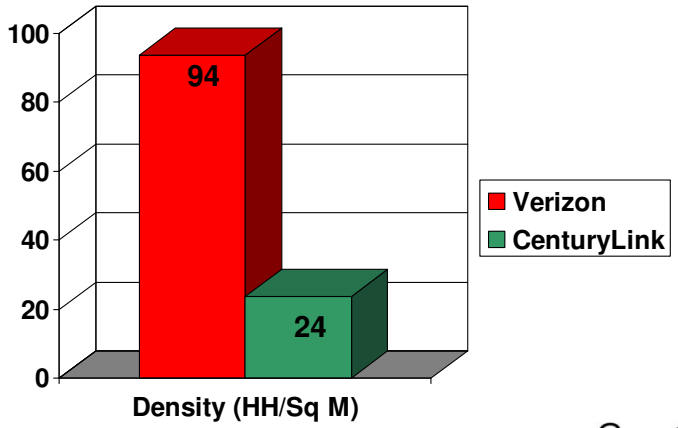
- Policy must overcome high rural costs and demographics
  - Low customer density and customer demand, long distances, high backhaul costs
- These are the same challenges we faced building the PSTN
- The challenges posed by low density apply to all terrestrial networks

Low population density in rural markets means higher costs to deliver broadband services

While Verizon and CenturyLink serve roughly the same geographic area...



...CenturyLink areas are considerably more rural



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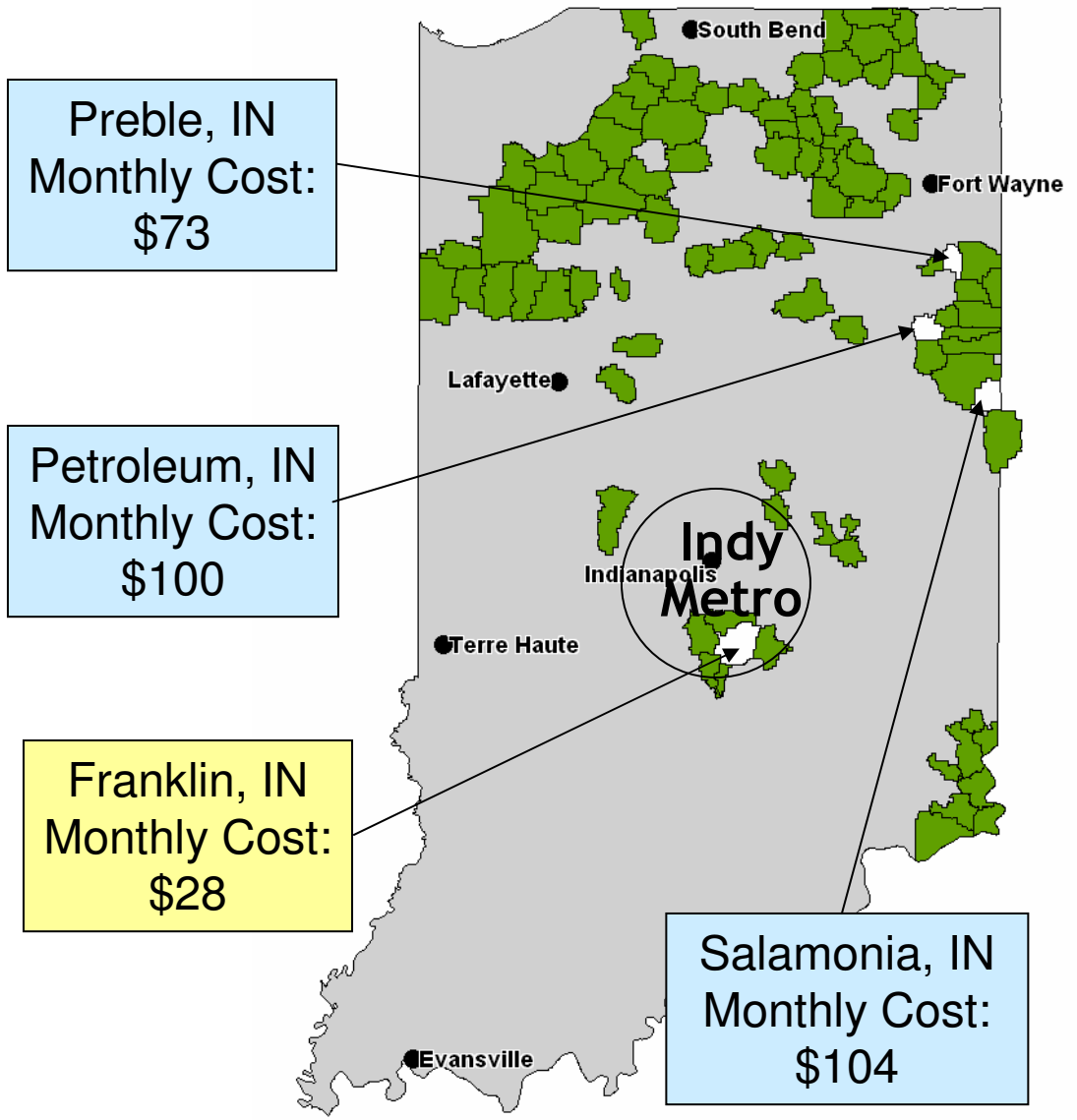
USF Wire Center Cost Variability Example*

- When the *entire* territory (study area) in a state is averaged, it is assumed that revenues earned in low-cost Franklin can be used to offset the cost incurred in serving high-cost Petroleum

- Migrating USF distributions from a study area basis can better align funding with costs – and (generally) away from competition

- Legacy EQ Indiana receives $0 High Cost funding (except IAS access replacement) under the study area system; a wire-center system would fund the higher cost exchanges



***Costs for voice network; principle holds true for broadband**

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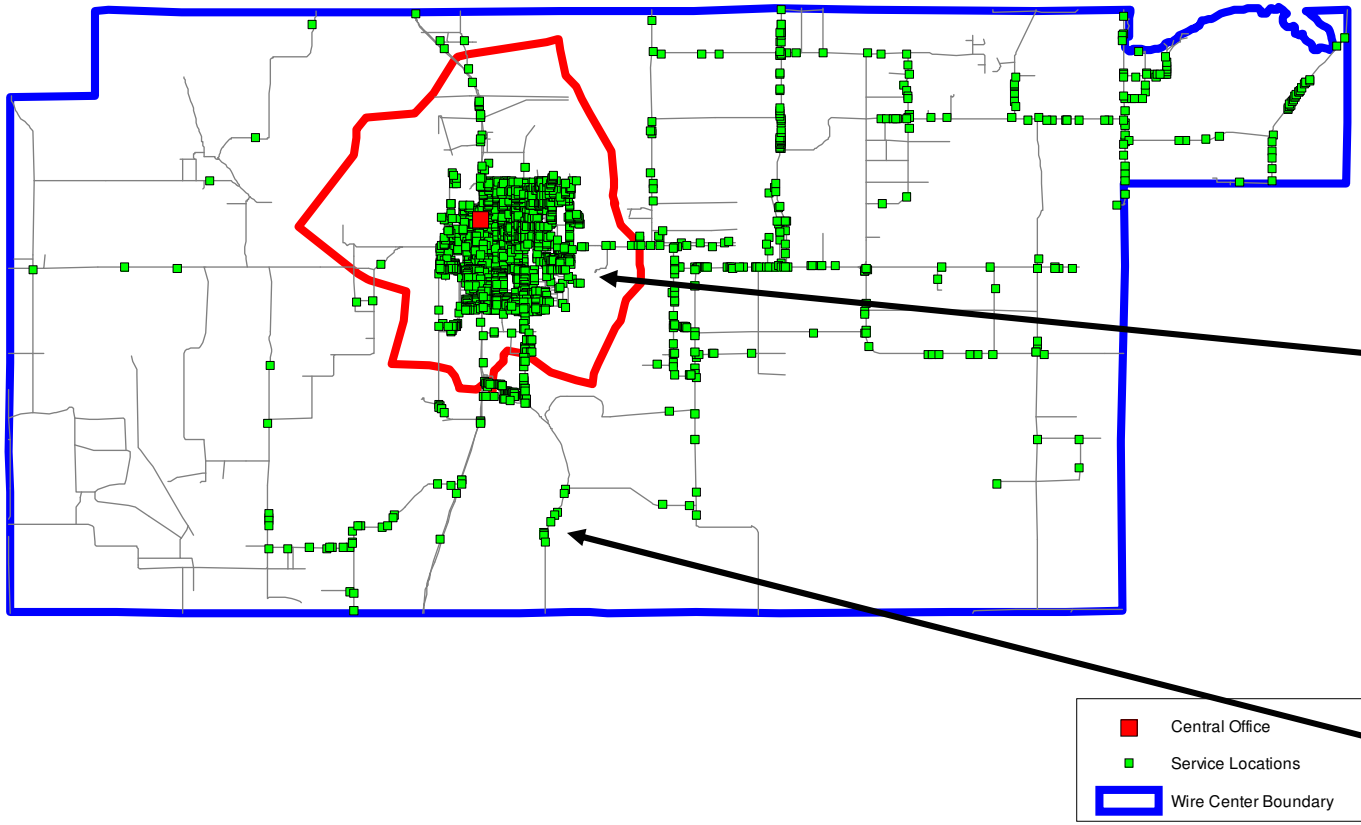
USF Sub-Wire Center Cost Variability Example

Fort Meade, FL Exchange



Wire Center

Total Lines Served

2,893

Investment per Line

$2,650

City Center

Total Lines Served

2,188

Investment per Line

$1,308

Outside City

Total Lines Served

705

Investment per Line

$6,820

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*Figures from FCC Synthesis Model– Illustrative Only